

2000 Wheat - Crop Revenue Coverage (CRC) Underwriting Rules

1. CRC calculates premiums charged annually for the insurance at the applicable CRC rates for the current crop year. The CRC premium is based upon the CRC Rate, CRC High Price Factor, CRC Low Price Factor, MPCl Base Rate, CRC Base Price, MPCl Market Price, and any other applicable factors found in the CRC and/or MPCl Actuarial Documents. It also includes the Application, Approved Yield, and an Acreage Report submitted by the insured to the insurance company. We will charge administrative fees on a crop and county basis. If a client insures the crop at the 50%, 55%, or 60% coverage level, then a fifty (\$50.00) dollar administrative fee will apply. If a client insures the crop at the 65%, 70%, 75%, 80%, or 85% coverage level, then a twenty (\$20.00) dollar administrative fee will apply. The company will invoice the insured for the total actual premium and administrative fee(s). This amount will be due and payable on a date specified in the Special Provisions of the Actuarial Documents for the current crop year.
2. CRC uses the CRC Premium Calculation Worksheet to estimate the producer-paid premium for insurable crop acreage including written agreements that specify a base rate for the coverage level and a reduced high risk factor, if applicable.

Use the following procedures to estimate the producer-paid premium for insurable crop acreage when a written agreement specifies a high risk rate as a 75% coverage level combined rate that includes both the base rate and a high risk factor.

1. The Written Agreement rate is divided by the 75% Base Premium Rate for the applicable R-Span. The result is the High Risk Map Area Adjustment Factor (item J on the CRC Premium Calculation Worksheet.)
 2. Enter the Base Premium Rate for the appropriate R-Span and coverage level in item C on the CRC Premium Calculation Worksheet.
 3. Calculate the CRC estimated premium using the CRC Premium Calculation Worksheet.
3. The insured must submit a CRC application to the company no later than the applicable sales closing date. We must receive all timely dated applications within twenty (20) days of the sales closing date. We will not accept and will return applications received more than twenty (20) days after the sales closing date. Clients requesting to change from other FCIC-subsidized coverage to CRC coverage must complete an application for CRC and attach a signed request to cancel the existing FCIC-subsidized coverage.
4. The CRC policy is a continuous policy and provides coverage for the succeeding crop year unless canceled by a time specified in the policy.
5. CRC serves as an alternative policy to other FCIC-subsidized coverages. Growers must insure all acreage of the specified crop in the county. High Risk Land designations are insurable under CRC and rated according to the methodology contained herein. The insured does have the option of excluding any high risk ground from CRC coverage and insuring it with an MPCl CAT policy. The insured must complete a High Risk Exclusion form and CAT application for the high risk ground by the sales closing date. Agents must submit these documents to the company within twenty (20) days of sales closing.
6. Written agreements may apply to CRC for **rating purposes only**. CRC may use a written agreement authorized by FCIC that allows standard R-span rates for a specific crop grown on a specific high risk classification. Additionally, CRC may use a written agreement authorized by FCIC that includes a reduced rate for the crop acreage on a specific high risk classification. The applicable crop specified in the written agreement must be eligible for CRC coverage.

7. The grower must report APH information by the earlier of forty-five (45) days after the cancellation date or the acreage reporting date to establish yield information and unit structure. The Special Provisions of the current crop year's Actuarial Documents shows the applicable acreage reporting date.
8. CRC is an insurance program that guarantees a stated amount of revenue called the Final Guarantee. CRC covers revenue losses due to a low price, low yield, or any combination of the two. Since the protection of grower revenue is the primary objective of CRC, it contains provisions addressing both yield and price risks. Six key variables are Approved Yield, Coverage Level Percentage, Price Percentage, Base Price, Harvest Price, and Production to Count.
9. CRC's **Approved Yield** is the historical average amount of production per acre in the insured unit. It uses the farmer's production records or yields assigned by the Federal Crop Insurance Corporation (FCIC). We use at least four crop years of yields to obtain the Approved Yield.
10. The available CRC **Coverage Level Percentages** are 50%, 55%, 60%, 65%, 70%, 75%, 80% and 85%.
11. The 2000 CRC program offers **100%** of the Base Price and Harvest Price as the Price Percentage.
12. CRC defines the **Base Price** for each wheat crop and state using the following methodology:

Winter Wheat - (Insured as winter wheat), Chicago Board of Trade (CBOT)

Alabama, Georgia, Illinois, Indiana, Kentucky, Louisiana, Michigan, Mississippi, North Carolina, Ohio, South Carolina, Tennessee, Virginia, and Wisconsin

Base Price (CBOT) - The August 15 to September 14 pre-harvest year's average daily settlement price for the harvest year's CBOT July soft red winter wheat futures contract rounded to the nearest whole cent. The Base Price will be released as an actuarial document addendum by September 20 of the pre-harvest year.

Winter Wheat - (Insured as winter wheat), Kansas City Board of Trade (KCBOT)

Arizona, Arkansas, Colorado, Iowa, Kansas, Missouri, Montana, Nebraska, New Mexico, Oklahoma, South Dakota, Texas, and Wyoming

Base Price (KCBOT) - The August 15 to September 14 pre-harvest year's average daily settlement price for the harvest year's KCBOT July hard red winter wheat futures contract rounded to the nearest whole cent. The Base Price will be released as an actuarial document addendum by September 20 of the pre-harvest year.

Spring Wheat - (Insured as spring wheat in counties with a 3/15 cancellation date, Minneapolis Grain Exchange (MGE)

Colorado, Iowa, Minnesota, Montana, North Dakota, South Dakota, Wisconsin, and Wyoming

Base Price (MGE) - The February harvest year's average daily settlement price for the harvest year's MGE September hard red spring wheat futures contract rounded to the nearest whole cent. The Base Price will be released as an actuarial document addendum by March 10 of the harvest year.

Spring Wheat - (Insured as spring wheat in counties with a 9/30 cancellation date), (KCBOT/MGE)

Colorado, Iowa, Montana, South Dakota, and Wyoming

Base Price (KCBOT) - The August 15 to September 14 pre-harvest year's average daily settlement price for the harvest year's KCBOT July hard red winter wheat futures contract rounded to the nearest whole cent. The Base Price will be released as an actuarial document addendum by September 20 of the pre-harvest year.

Wheat - Portland Grain Exchange (PGE)

California, Idaho, Oregon, Utah, and Washington

Base Price (PGE) - The Portland Price equals the August 15 to September 14 pre-harvest year's average daily settlement price for the harvest year's CBOT September soft red winter wheat futures contract (rounded to the nearest whole cent) **plus an adjustment equal to** the current five-year average difference between the August average daily settlement price for the nearby CBOT September soft red winter wheat futures contract (rounded to the nearest whole cent) and the August average daily settlement price for the PGE soft white wheat contract (rounded to the nearest whole cent). The Base Price will be released as an actuarial document addendum by September 20 of the pre-harvest year.

Durum Wheat - (Insured as durum wheat in counties with a 10/31 cancellation date), (MGE)

Arizona and California

Base Price (MGE) - The Southern Durum Price equals the September 15 to October 14 pre-harvest year's average daily settlement price for the harvest year's CBOT September soft red winter wheat futures contract (rounded to the nearest whole cent) **plus an adjustment equal to** the average of the current year nearby basis, determined during the months of May, June, July and August of the current crop year, and the current five-year average difference between the August average daily settlement price for top milling durum wheat as reported by the MGE (rounded to the nearest whole cent) and the August average daily settlement price for the nearby CBOT September soft red winter wheat futures contract (rounded to the nearest whole cent) **not to exceed \$1.00**. During the months of May and June the nearby futures contract used to determine the current year nearby basis for top milling durum wheat will be the July contract. During the months of July and August the nearby futures contract used to determine the current year nearby basis for top milling durum wheat will be the September contract. The Base Price will be released as an actuarial document addendum by October 20 of the pre-harvest year.

- 13.** CRC defines the **Harvest Price** for each crop and state using the following methodology:
(*The Harvest Price **IS NOT** the price a producer receives for his crop at the local elevator.*)

Winter Wheat - (Insured as winter wheat), (CBOT)

Illinois, Indiana, Michigan, Ohio, and Wisconsin

Harvest Price (CBOT) - The July 15 to August 14 harvest year's average daily settlement price for the harvest year's CBOT September soft red winter wheat futures contract rounded to the nearest whole cent. The Harvest Price cannot be less than the Base Price minus two dollars (\$2.00), or greater than the Base Price plus two dollars (\$2.00). The Harvest Price will be released as an actuarial document addendum by August 20 of the harvest year.

Winter Wheat - (Insured as winter wheat), (CBOT)

Alabama, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia

Harvest Price (CBOT) - The June harvest year's average daily settlement price for the harvest year's CBOT July soft red winter wheat futures contract rounded to the nearest whole cent.

The Harvest Price cannot be less than the Base Price minus two dollars (\$2.00), or greater than the Base Price plus two dollars (\$2.00). The Harvest Price will be released as an actuarial document addendum by July 10 of the harvest year.

Winter Wheat - (Insured as winter wheat), (KCBOT)

Iowa, Montana, Nebraska, South Dakota, and Wyoming

Harvest Price (KCBOT) - The July 15 to August 14 harvest year's average daily settlement price for the harvest year's KCBOT September hard red winter wheat futures contract rounded to the nearest whole cent. The Harvest Price cannot be less than the Base Price minus two dollars (\$2.00), or greater than the Base Price plus two dollars (\$2.00). The Harvest Price will be released as an actuarial document addendum by August 20 of the harvest year.

Winter Wheat - (Insured as winter wheat), (KCBOT)

Arizona, Arkansas, Colorado, Kansas, Missouri, New Mexico, Oklahoma, and Texas

Harvest Price (KCBOT) - The June harvest year's average daily settlement price for the harvest year's KCBOT July hard red winter wheat futures contract rounded to the nearest whole cent. The Harvest Price cannot be less than the Base Price minus two dollars (\$2.00), or greater than the Base Price plus two dollars (\$2.00). The Harvest Price will be released as an actuarial document addendum by July 10 of the harvest year.

Spring Wheat - (Insured as spring wheat), (MGE)

Colorado, Iowa, Minnesota, Montana, North Dakota, South Dakota, Wisconsin, and Wyoming

Harvest Price (MGE) - The August harvest year's average daily settlement price for the harvest year's MGE September hard red spring wheat futures contract rounded to the nearest whole cent. The Harvest Price cannot be less than the Base Price minus two dollars (\$2.00), or greater than the Base Price plus two dollars (\$2.00). The Harvest Price will be released as an actuarial document addendum by September 10 of the harvest year.

Wheat - (PGE)

California, Idaho, Oregon, Utah, and Washington

Harvest Price (PGE) - The August harvest year's average daily settlement price for the PGE soft white wheat contract rounded to the nearest whole cent. The Harvest Price cannot be less than the Base Price minus two dollars (\$2.00), or greater than the Base Price plus two dollars (\$2.00). The Harvest Price will be released as an actuarial document addendum by September 10 of the harvest year.

Durum Wheat - (Insured as durum wheat in counties with a 10/31 cancellation date), (MGE)

Arizona and California

Harvest Price (MGE) - The August harvest year's average daily settlement price for top milling durum wheat as reported by the MGE rounded to the nearest whole cent. The Harvest Price cannot be less than the Base Price minus two dollars (\$2.00), or greater than the Base Price plus two dollars (\$2.00). The Harvest Price will be released as an actuarial document addendum by September 10 of the harvest year.

- 14.** CRC defines the **Final Guarantee** as the number of dollars guaranteed per acre. The Final Guarantee is the greater of the Minimum or Harvest Guarantees, defined as follows:

- (1) **Minimum Guarantee** - The Approved Yield per acre, multiplied by the Base Price, multiplied by the selected coverage level percentage.

- (2) **Harvest Guarantee** - The Approved Yield per acre, multiplied by the Harvest Price, multiplied by the selected coverage level percentage.

- 15. Production to Count** equals harvested and appraised production from the insured acreage as outlined in the CRC Wheat Crop Provisions. Production to Count may also include quality adjustments described in the CRC Wheat Crop Provisions.
- 16.** CRC determines **Calculated Revenue** by multiplying the farmer's Production to Count for the unit times the Harvest Price. Remembering that Calculated Revenue uses the CRC Harvest Price and **not** the price a farmer might receive for the crop at the local elevator is very important. Calculated Revenue counts against the farmer's Final Guarantee in determining indemnity payments.
- 17.** A Crop Revenue Coverage loss occurs if the Calculated Revenue is less than the Final Guarantee. The resulting difference equals the CRC loss payment.
- 18.** Growers may select Basic, Optional, or Enterprise Units based upon their farming operation.

A **Basic Unit** includes all insurable acreage of the insured crop in the county in which the grower has a 100% share **OR** that is owned by one entity and farmed by the grower on a share basis. For example, a grower may farm owned land in addition to rented land owned by five different landlords. Three of the renting arrangements are on a crop share basis. The other two renting arrangements are on a cash basis. Under these conditions, our example grower would have four Basic Units. One unit includes all acreage that the grower owns and rents on a cash basis. In addition, each of the three crop share renting arrangements forms a separate Basic Unit that includes the applicable acreage. Each of these Basic Units has its own Final Guarantee per acre and the grower must keep separate production records for each Basic Unit as a result.

A Basic Unit may be separated into **Optional Units** if the resulting Optional Units are found in different sections, section equivalents, or FSA farm serial numbers. Also, a Basic Unit may be separated into Optional Units by irrigated or non-irrigated practices. Any Optional Unit must have separate and verifiable production records because each Optional Unit has its own Final Guarantee per acre.

An **Enterprise Unit** consists of all insurable acreage of the insured crop in which the grower has a share in the county. The following restrictions apply to Enterprise Units:

1. The Enterprise Unit must contain 50 or more acres.
2. The acreage that comprises the Enterprise Unit must also qualify:
 - (a) For two or more Basic Units of the same insured crop that are located in two or more separate sections, section equivalents, or FSA farm serial numbers;
OR
 - (b) For two or more Optional Units of the same insured crop established by separate sections, section equivalents, or FSA farm serial numbers.
3. The qualifying Basic Units or Optional Units that comprise the Enterprise Unit must each have insurable acreage of the same crop in the crop year insured.
4. The grower must comply with all reporting requirements and regulations for the Basic Units and/or Optional Units comprising the Enterprise Unit. More specifically, the grower may maintain and submit the same records as in the past. Those records must show that the grower qualifies for at least two Basic or Optional Units of the same insured crop as outlined above.
5. The grower must select the Enterprise Unit structure in writing by the sales closing date. Growers may do this in the "options" section of the CRC application or on a policy change form.

6. If a grower does not qualify for an Enterprise Unit when he reports the acreage, then we will assign him the Basic Unit structure.
7. If a grower selects and qualifies for an Enterprise Unit, then he will qualify for a premium discount based on the insured crop and number of acres in the Enterprise Unit. The 2000 Wheat CRC Enterprise Unit Discount Factors are as follows:

Acres	Enterprise Unit Discount Factor
50 - 499	0.93
500 - 999	0.87
1000+	0.83

These factors must be used in conjunction with a BUD (Basic Unit Discount) option factor to calculate the correct enterprise unit premium.

8. If a grower selects the Enterprise Unit structure, then the Basic or Optional Units comprising the Enterprise Unit will retain separate Final Guarantees. Each acre within the Enterprise Unit will have the same Final Guarantee as it would have had under the Basic or Optional Unit structure. However, CRC pays losses at the Enterprise Unit level. For example, an Optional Unit within the Enterprise Unit may have a Calculated Revenue that is less than its Final Guarantee. CRC would pay this loss under the Optional Unit structure. However, under the Enterprise Unit structure, Calculated Revenue surpluses from the other Optional or Basic Units within the Enterprise Unit may offset this loss. The following example illustrates this fact:

Enterprise Unit 0100

Line	APH	Base Price	Harvest Price	Acres	Cov. Lev.	Final Guar.	Prod. To Count	Calc. Rev.	Share	Share Adj. Loss (+/-)
1	50 bu	\$3.98/bu	\$3.46/bu	240	.65	\$31,044	25 bu	\$20,760	1.00	+\$10,284
2	55 bu	\$3.98/bu	\$3.46/bu	180	.65	\$25,611	58 bu	\$36,122	1.00	-\$10,511
3	48 bu	\$3.98/bu	\$3.46/bu	200	.65	\$24,835	50 bu	\$34,600	0.50	-\$4,883

Enterprise Unit 0100 is composed of two Optional Units (Lines 1 and 2) and one Basic Unit (Line 3) in the above example. As shown, Line 1 (Optional Unit 0101) has a share adjusted loss that equals **\$10,284**. Also, Lines 2 and 3 (Optional Unit 0102 and Basic Unit 0200 respectively) have share adjusted losses that equal **-\$10,511** and **-\$4,883** respectively. More precisely, Lines 2 and 3 have *negative losses* or surpluses. Under the Optional Unit structure, CRC would have paid Optional Unit 0101 \$10,284. The other two units would have received no payment.

The two Optional Units and one Basic Unit become lines 1, 2, and 3 respectively within Enterprise Unit 0100. As stated before, those Lines retain the Final Guarantees that would have applied under the Optional or Basic Unit structure. However, CRC combines the share adjusted losses under the Enterprise Unit structure. As a result, Enterprise Unit 0100 has a net share adjusted loss that equals **-\$5,110** (+\$10,284 + -\$10,511 + -\$4,883). A negative net share adjusted loss means that there would be no indemnity payment in this example. The farmer would receive no indemnity for Line 1's loss because of the offsetting surplus Calculated Revenues from Lines 2 and 3 applied under Enterprise Units.

- 19.** If an indemnity payment is due under a *CropRevenue* Coverage policy, CRC will pay as follows:

If we do not know the Harvest Guarantee at the time a loss is determined, then CRC pays adjusted losses in two segments.

- (1) First, CRC pays an initial indemnity based upon the Minimum Guarantee.
 - (2) Second, once we know the Harvest Guarantee and if it is greater than the Minimum Guarantee, CRC recalculates the indemnity payment and pays the additional indemnity due.
- If we know the Harvest Guarantee at the time a loss is determined, then CRC will pay adjusted losses based upon the Final Guarantee. The Final Guarantee is the greater of the Minimum or Harvest Guarantees.

We can only complete losses after the Harvest Price and Production to Count have been determined according to the policy and loss adjustment procedures established or approved by FCIC.

- 20.** Once FCIC publishes a Harvest Price, the company may set a crop yield point for each insured unit that will trigger a revenue loss payment. The company may publish the methodology that calculates the *Trigger Yield* with an explanation of the proper procedures to follow for claim payment.

- 21.** In addition to complying with all other loss notice requirements as outlined in the policy provisions, the grower must submit a claim for indemnity declaring the amount of loss and including all information required to settle a claim not later than forty-five (45) days after the Harvest Price has been established. This information includes complete harvesting and marketing records for each insured crop by unit, including separate records showing the same information for any production not insured. This information must be submitted on an approved APH reporting form and signed by the insured. If there is a payable loss, then the APH must be submitted not later than sixty (60) days after the end of the insurance period and must be accompanied by a written loss notice.

- 22.** CRC's **Late Planting** provisions cover acres of the insured crop that the grower plants during the late planting period. The late planting period begins the day after the final planting date for the insured crop and ends 25 days after the final planting date. We will reduce the Final Guarantee for each acre planted during the late planting period by 1 percent per day for each day planted after the final planting date.

CRC's basic **Prevented Planting** coverage for prevented planting acreage equals 60 percent of the Final Guarantee for the acreage if the grower timely planted the crop. However, in return for an additional premium, the farmer may increase his prevented planting coverage to 65% or 70% of the Final Guarantee as specified in the actuarial documents.

CRC offers **Replanting** Coverage if the replanted acreage includes at least the lesser of 20 acres or 20 percent of the insured planted acreage for the entire unit. Also, the damage must show that the remaining stand will not produce at least 90 percent of the Minimum Guarantee for the affected acreage. The maximum replant payment per acre is the lesser of 20 percent of the Minimum Guarantee for the affected acreage, or 3 bushels multiplied by the Base Price, multiplied by the grower's insured share.

- 23.** Any grower eligible for MPCl coverage is eligible for CRC coverage subject to the additional items below:

- (1) The crop must be eligible for CRC coverage.
- (2) The insured crop must be found in states that we have included in our FCIC-approved Standard Reinsurance Agreement (SRA) for the *CropRevenue* Coverage program.

- 24.** CRC offers:
- (1) NO hail and fire exclusion.
 - (2) NO discount for good experience. The company maintains all MPCl good experience discount records for each farmer and they apply again if the farmer selects MPCl in the future.
- 25.** A grower can have other FCIC-subsidized coverage on crops not currently eligible for CRC and still carry CRC on crops that are eligible. These policies will have two prefixes (CRC & MP), but only one common number. Policies with only CRC crops will have a CRC prefix.
- 26.** CRC bases premiums upon the Base Price and subsequent Minimum Guarantee. These premiums can only change if the company makes APH or acreage corrections.
- 27.** Premiums for CRC are due when coverage begins. The company bills premiums for CRC on dates contained in the Actuarial Documents.
- 28.** A grower must submit a separate CRC application for each county.
- 29.** CRC provides coverage for the succeeding crop year, unless canceled by a time specified in the policy.
- 30.** Option A and Option B are available in the applicable states with counties using both fall and spring final planting dates.
- 31.** Whenever the Special Provisions designate only a spring final planting date, any acreage of fall planted wheat is not insured unless the grower requests such coverage and we agree in writing that the acreage has an adequate stand in the spring to produce the yield used to determine the Final Guarantee. Insurance will then attach to acreage having an adequate stand, **under the CRC wheat policy terms, rates, and prices applicable to spring wheat**, on the earlier of the spring final planting date or the date we agree to accept the acreage for insurance. If such fall planted acreage is not to be insured it must be recorded on the acreage report as an uninsured fall planted crop.
- 32.** If a base and harvest price definition is shown in the Commodity Exchange Endorsement for Durum Wheat, and a separate rate is provided in the actuarial document for Durum Wheat, the crop is insured as Durum Wheat. If the Commodity Exchange Endorsement does not provide a Durum Wheat price definition, the Durum Wheat crop is insured as spring or winter wheat depending upon the state and county.